



What is the Health Coverage Tax Credit (HCTC)?

The Health Coverage Tax Credit (HCTC) is a federal tax credit that pays 80% of health insurance premiums for qualified individuals. The HCTC is available to:

- Individuals who receive a benefit through one of the Trade Adjustment Assistance (TAA) programs.
- Pension Benefit Guaranty Corporation (PBGC) payees who are 55 years old or older.
- Qualified family members of TAA recipients and PBGC payees.

What are the COBRA-related considerations I should be aware of?

One of the requirements to receive the HCTC is enrollment in a qualified health plan. Enrollment in a COBRA plan fulfills this requirement, as long as individuals pay more than 50% of the premium. Because of this relationship, the HCTC interacts with COBRA coverage in different ways:

- COBRA coverage is extended for HCTC participants while they remain eligible for the HCTC (*see page 2 for more information*).
- TAA recipients who are eligible for the HCTC receive a second COBRA election period (*see page 3 for more information*).
- HCTC participants cannot receive the COBRA Premium Reduction during any month in which they also receive the HCTC (*see pages 4 and 5 for more information*).

Who do I contact with questions?

You can call the HCTC Customer Contact Center at 1-866-628-HCTC (4282) or, if you have a hearing impairment, please call 1-866-626-4282 (TTY). You also can write to wi.hctc.stakeholder@irs.gov.



What is the HCTC COBRA Extension?

Thanks to the American Recovery and Reinvestment Act (ARRA) of 2009, COBRA coverage for the following HCTC participants has been extended:

- TAA recipients can continue their COBRA coverage for as long as they are TAA eligible (which may exceed the time periods established in the COBRA law).
- PBGC payees can receive COBRA as a lifetime benefit.
- Qualified beneficiaries of PBGC payees can continue their COBRA coverage for an additional 24 months after the death of the primary PBGC payee.

Please note that these extensions are provided only while the ARRA provisions are effective. ARRA is set to expire December 31, 2010, unless re-authorized by Congress.

What steps need to be taken?

Former employers are responsible for extending COBRA coverage to HCTC-eligible individuals. If an employer does not provide the COBRA extension, the affected individual can ask the IRS to enforce the COBRA law by imposing an excise tax of \$100 per day until the coverage is extended. Employers should check with their legal counsel if they have questions. Individuals will receive a letter from the HCTC Program explaining that their former employers may be obligated to extend their COBRA coverage.

When will I know if an individual is no longer eligible for the HCTC?

The HCTC Program receives eligibility information on a monthly basis, so we have no advance notice when a participant's eligibility will expire. If you continue to receive a payment from the HCTC Program, you can assume the individual remains eligible for the HCTC; the Program only makes monthly payments on behalf of HCTC-eligible individuals.



What is the second COBRA election period?

Generally, after separating from employment, individuals have a 60-day period during which they can elect to receive COBRA continuation coverage. However, individuals who are eligible for TAA and do not elect to receive COBRA during this initial election period receive a second 60-day election period.

The second COBRA election period lasts 60 days from the first day of the month in which an individual is determined to be eligible for TAA benefits. For example, if an individual's general election period runs out and it is determined that she is eligible for TAA benefits at the beginning of the following month, she has approximately 60 more days to elect to receive COBRA. However, if this same individual is not determined to be eligible for TAA until the end of that month, the 60 days are still measured from the first of that month, in effect giving her about 30 days to elect to receive COBRA.

The Trade Act of 2002 added another limit on the second election period: A COBRA election must be made no later than 6 months after the date of the TAA-related loss of coverage.

COBRA coverage chosen during the second election period begins on the first day of that period.

How will I know if an individual is eligible for a second COBRA election period?

State workforce agencies provide individuals with certificates that specify the date they are determined to be eligible for TAA benefits. You can ask the TAA or RTAA recipient for a copy of his or her TAA certificate to determine whether the individual is eligible for the second COBRA election period and when the second COBRA election period begins. This certificate should not be confused with the letter that the recipient receives when his or her employer's petition for Department of Labor worker group certification is approved.



What is the COBRA Premium Reduction?

Individuals whose employment was involuntarily terminated are eligible to receive a 65% COBRA Premium Reduction through their former employers. For information on the COBRA Premium Reduction's period of eligibility and duration, please visit the Department of Labor website at www.dol.gov/COBRA. A critical consideration for anyone who is eligible for the HCTC—which could be more valuable than the COBRA Premium Reduction—is that electing to receive the COBRA Premium Reduction will disqualify the individual from receiving the HCTC during the same month.

What is the difference between the HCTC and the new COBRA Premium Reduction?

The table on the next page shows a side-by-side comparison of the HCTC Program and the COBRA Premium Reduction.

Can an individual receive the HCTC *and* the new COBRA Premium Reduction?

No; electing to receive the COBRA Premium Reduction will disqualify an individual from receiving the HCTC during the same month.

Can an individual switch from the new COBRA Premium Reduction to the HCTC?

Yes; if an individual is eligible for the HCTC Program he or she may switch from the COBRA Premium Reduction program to the HCTC Program. If an individual would like to switch, he or she should review the HCTC Program Kit to make certain that he or she meets all the eligibility requirements. Then, if the individual decides to take the HCTC, he or she should contact his or her employer to opt out of the COBRA Premium Reduction program, *but that individual should NOT opt out of his or her COBRA coverage*. The individual should find out how long it will take to be dropped from the COBRA Premium Reduction program. By the time the individual receives his or her first invoice from the HCTC Program, he or she should no longer receive the COBRA Premium Reduction. Individuals should check to see if their enrollment in the COBRA Premium Reduction is due to expire, in which case they may not need to opt out of the program.



Side-by-Side: The HCTC Program and the COBRA Premium Reduction Program

Topic	HCTC Program	COBRA Premium Reduction Program
Title of Program	Health Coverage Tax Credit	The premium subsidy for COBRA Benefits in ARRA is currently called Premium Reduction by DOL
Law Creating Program	Trade Act of 2002 as amended by the ARRA	ARRA (Stimulus bill)
Amount of Benefit	80% Tax Credit	65% Premium Reduction
Taxpayer Pays	20% to monthly HCTC Program, or 100% directly to health plan and then receives a tax credit via federal tax return	35% to former employer
Who Is Eligible	<ul style="list-style-type: none"> Trade Adjustment Assistance (TAA) recipients who receive a Trade Readjustment Allowance or unemployment insurance Pension Benefit Guaranty Corporation (PBGC) payees who are 55 years old or older Qualified family members of the above 	All taxpayers receiving federally required COBRA coverage who were involuntarily terminated from employment; for information on the COBRA Premium Reduction's period of eligibility and duration, visit the Department of Labor's website (below)
Application Process	Individuals receive HCTC Program Kit with instructions on how to apply	Individuals receive notice of Premium Reduction availability from former employer or COBRA administrator, with instructions on how to apply
Program Length	Until law is repealed or Trade Act is not renewed; ARRA changes to HCTC sunset on December 31, 2010	Applies to periods of health coverage beginning on or after ARRA; visit the Department of Labor's website (below) for more information
How Long Is Taxpayer Eligible	Up to 156 weeks for TAA recipients and 10 years for PBGC payees	Visit the Department of Labor's website (below)
How Is Benefit Paid	IRS directly pays health plan 100% of insurance premium after collecting the required 20% premium cost from the taxpayer, or taxpayer claims credit on IRS Form 8885 annually	<ul style="list-style-type: none"> Former employer deducts the 65% Premium Reduction from payroll taxes on IRS Form 941 and pays health insurer Department of Labor/IRS/HHS/employer Department of Labor Employee Benefits Security Administration
Who Administers the Program	Internal Revenue Service (IRS) - Individuals-HCTC Program	Department of Labor (DOL) and IRS-Employer-COBRA Premium Reduction Program
Program Contact Information	HCTC Customer Contact Center: 1-866-628-HCTC (4282) Visit www.irs.gov/hctc wi.hctc.stakeholder@irs.gov	DOL: 1-866-444-EBSA (3272) Visit www.dol.gov/COBRA